



Earnings Call Presentation
9M 2019

We create the
extraordinary experience
in personal finance by
exceeding customer's
expectations.

December 2019

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Presenting

Experienced in Banking and Finance with strong self-made entrepreneurial track record



Tarmo Sild
Chief Executive Officer

- Co-founder of luteCredit
- Tarmo holds a Master's degree with distinction in Law from Vrije Universiteit Brussels
- Prior to his recent entrepreneurial engagements he was attorney at law and partner at the law firm LEXTAL in particular responsible for the implementation of EU Law, banking, project financing and securities
- Tarmo started his professional career as the only Estonian advocate in Brussels at HETA Law Offices, having good social connections with the Commission and knowledge about EU internal procedures



Kristel Kurvits
Chief Financial Officer

- Kristel has been with luteCredit since 2017
- Kristel holds a Master's degree in Financial Management from Estonian Business School
- Since 2000 and onwards she served as Chief Financial Officer for MTÜ Estonian Banking Association
- Prior to her recent engagements, Kristel was responsible amongst others for accounting of Ektornet Land Estonia OÜ (part of Swedbank Group) and financial reporting of the group companies
- Kristel started her professional career at Hansa Leasing Inkasso OÜ (part of Hansapanga Group)


IuteCredit Group Highlights

Continued double trajectory of growth and expansion - remaining profitable

Number of customers

 **+500,000**
+ 50% YoY


Loans issued

 **231,019**
+ 71% YoY

Total revenue

 **€ 33.6m**
+ 55% YoY

EBITDA

 **14.1m**
+ 34% YoY

Customer Performance
Index (CPI)

 **87.7%**

NPL's in **net** portfolio

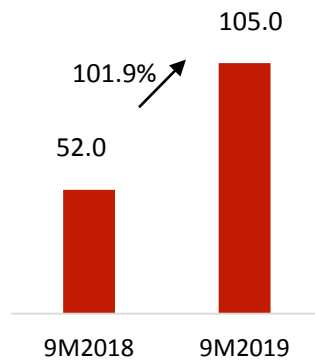
 **5.2%**

- Fast growth of the pool of customers, with very well customer repayment behaviour
- Good cashflow results both with performing customers as well as with customers who fall into delay or even default
- Improved and more effective in-house collection
- Increased diversification through geographical expansion, Bosnia and Herzegovina as of June 2019
- Net profit margin impacted by the increased operating expenses and expenses related to issuance of Eurobond in August 2019

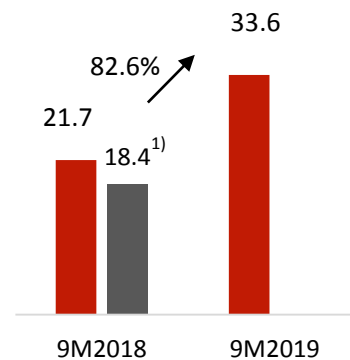
Operating Highlights

Increase in issuances continues

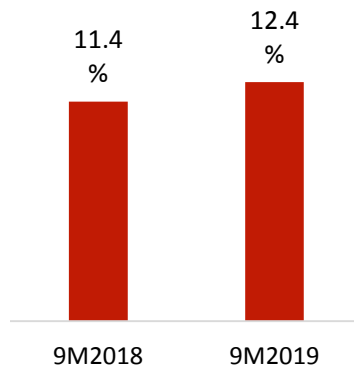
Loans issued have doubled
EURm



Strong growth of total revenue
EURm



Stable cost to pay-out ratio



- Increase of 40.4% to 214,053 outstanding loans (active customers) as of reporting date (FY 2018: 152,492)
- Total loans outstanding up 57,7% to EUR 82m (FY 2018: EUR 52m)
- Income from loan administration fees and penalties decreased by 79.7% to EUR 1.5m (9M 2018: EUR 7.3m) reflecting change of revenue recognition method, which gives a more conservative approach. Assessment is done on the cash-based method since 2019 according to what penalties are recorded from the moment of receiving the cash
- Impact on the operating costs due to launch of start-up business activities in Bosnia and Herzegovina as of June 2019
- Increased pressure on APR's due to the higher competition

1) Total revenue if new revenue recognition method would have been used in 9M 2018 period

Operational Footprint

Geographical diversification

Bosnia and Herzegovina

- Launch: May 2019
- Loans issued 9M 2019: EUR 0.7m
- Net loan portfolio 9M 2019: EUR 0.5m
- Revenue 9M 2019: EUR 0.1m²⁾
- EBITDA 9M 2019: EUR -0.4m
- Impairments 9M 2019: EUR 0.3m²⁾



Moldova

- Launch: August 2008
- Loans issued 9M 2019: EUR 42.4m
- Net loan portfolio 9M 2019: EUR 35.8m
- Revenue 9M 2019: EUR 15.4m²⁾
- EBITDA 9M 2019: EUR 8.1m
- Impairments 9M 2019: EUR 4.3m²⁾



Albania

- Launch: April 2015
- Loans issued 9M 2019: EUR 34.7m
- Net loan portfolio 9M 2019: EUR 23.1m
- Revenue 9M 2019: EUR 10.4m²⁾
- EBITDA 9M 2019: EUR 5.5m
- Impairments 9M 2019: EUR 1.2m²⁾



North Macedonia

- Launch: September 2017
- Loans issued 9M 2019: EUR 11.4m
- Net loan portfolio 9M 2019: EUR 6.7m
- Revenue 9M 2019: EUR 3.4m²⁾
- EBITDA 9M 2019: EUR 1.1m
- Impairments 9M 2019: EUR 0.6m²⁾



Kosovo

- Launch: October 2017
- Loans issued 9M 2019: EUR 15.8m
- Net loan portfolio 9M 2019: EUR 9.3m
- Revenue 9M 2019: EUR 4.2m²⁾
- EBITDA 9M 2019: EUR 1.6m
- Impairments 9M 2019: EUR 0.8m²⁾

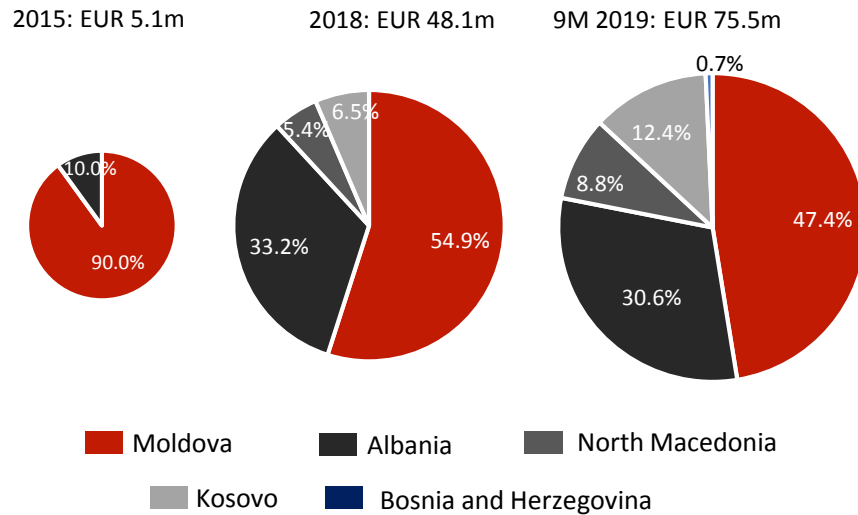


1) Illustrates the share of loans issued for 9M 2019

2) Slower revenue growth in 9M 2019 is due to the change of revenue recognition method and the reappraisal of revenue accordingly. As of January 1, 2019, the Group accounts penalties only on received cash basis. There is no accrued revenue from penalties, and no allowances for previous accrued penalties. Therefore, there were reversals in the provisions' position in 9M 2019.

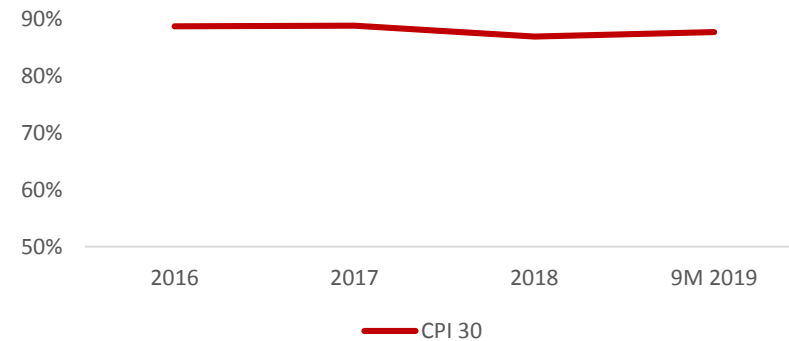
Net Loan Portfolio & Loan Repayment Behaviour - CPI

Net loan portfolio diversification



- Share of countries launched in 2017 (Kosovo and North Macedonia) in portfolio continues to increase as operations mature
- Diversifying the risk with sustainable growth through geographical expansion

Evolution of customer performance index



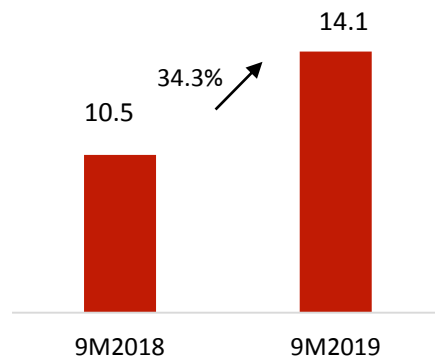
- CPI 30 as indicator of customers' actual duly repayments against the expected payments, stays stable during the period of last several years
- For cash loans ,luteCredit reached a CPI 30 ratio of 85.8%. For dealer loan and car loans ,luteCredit had a CPI 30 performance of more than 90%

Financial Highlights

Increased diversification of revenues and founding sources

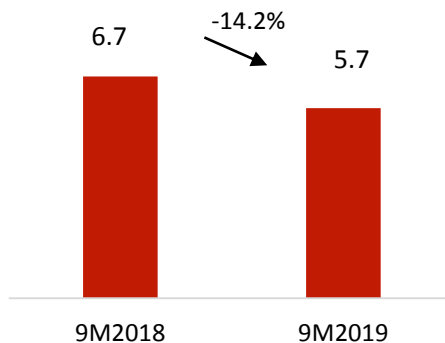
Strong EBITDA growth

EURm



Decline of net profit

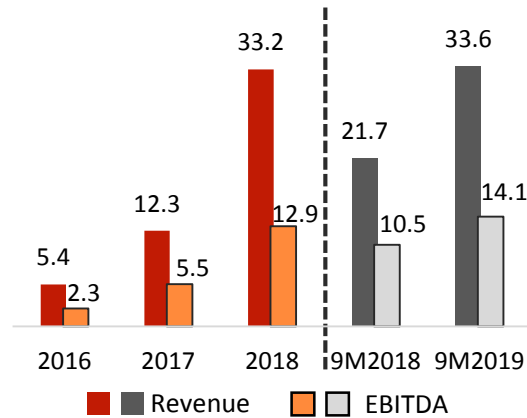
EURm



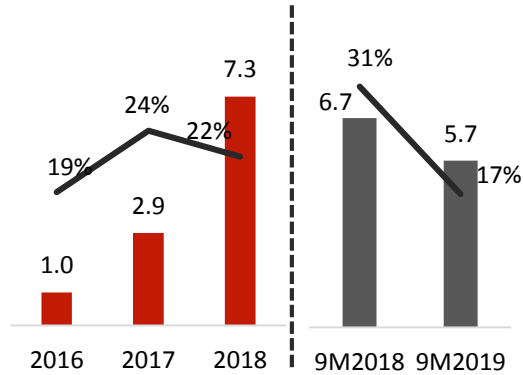
- Strong EBITDA growth of 34.3% despite higher operating expenses, costs related to entering into new markets and lower APR's
- First time issuance of EUR 40m senior secured bond listed on Frankfurt Stock Exchange
- Local Estonia bonds have been completely repaid
- Interest expense for the period increased by 150.0% to EUR 6.5m (9M 2018: EUR 2.6m) due to the Eurobond issuance
- Rise in cost to income ratio to 38.8% (9M 2018: 27.4%), however still lower compared to the peers
- Net profit for the period at EUR 5.7m (9M 2018: EUR 6.7m) impacted mostly by increased interest expenses

Financial Ratios

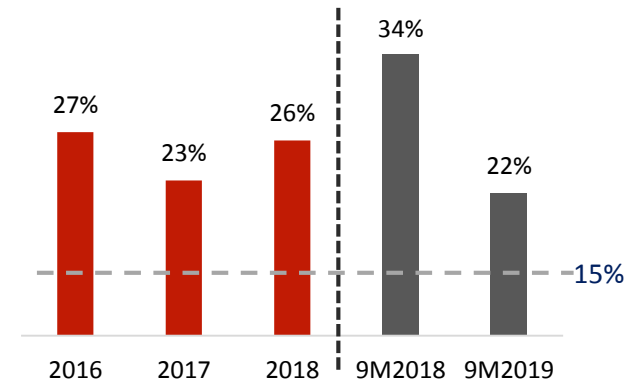
Revenue & EBITDA in EURm ¹⁾



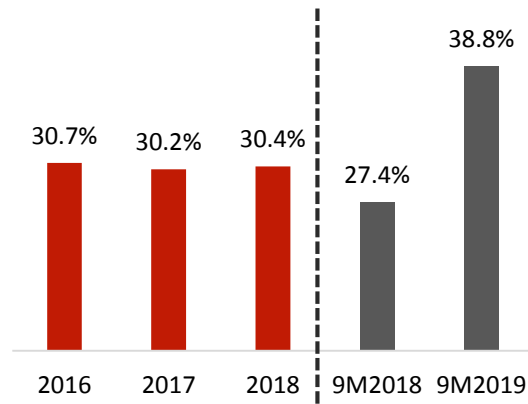
Net profit in EURm & Net profit margin ¹⁾



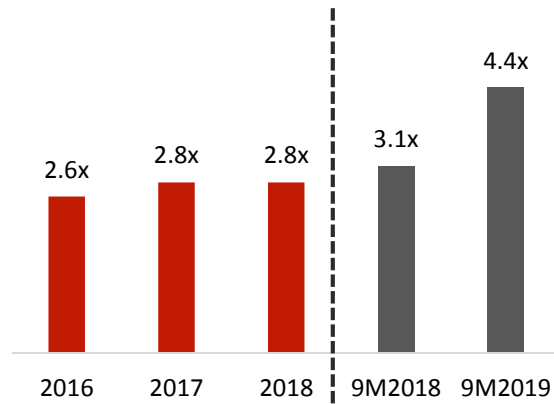
Capitalization ratio



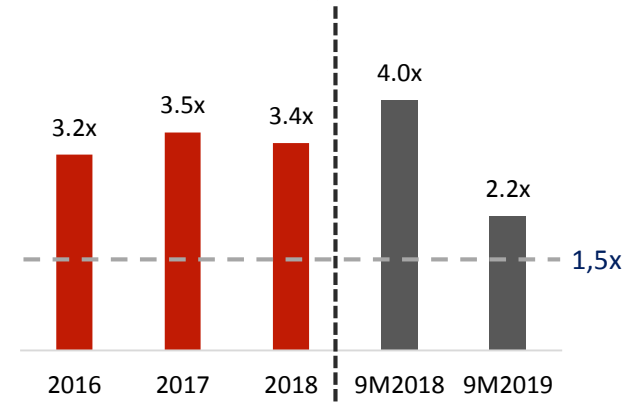
Cost to income ratio ¹⁾



Leverage ratio ¹⁾



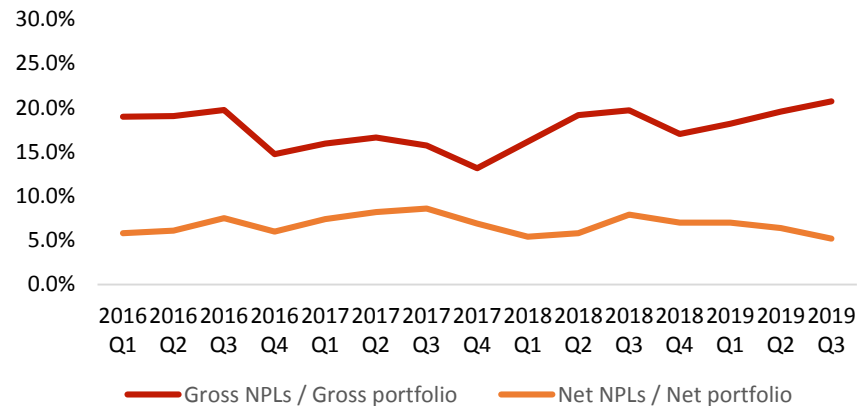
Interest coverage ratio ¹⁾



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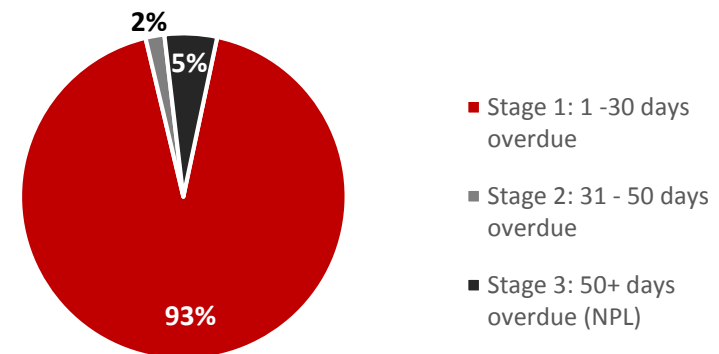
Non-Performing Loans

Gross and net NPL (50+ DPD) portfolio



- NPL ratios in line with targeted ratios
- Prudent impairment policy, with effective impairment rate of 20.7% from gross loan portfolio (as of 30.09.2019)
- Increased gross NPL ratio due to larger share of long-term loans
- Provision coverage (Total provisions/Gross NPL) ratio 86.8%

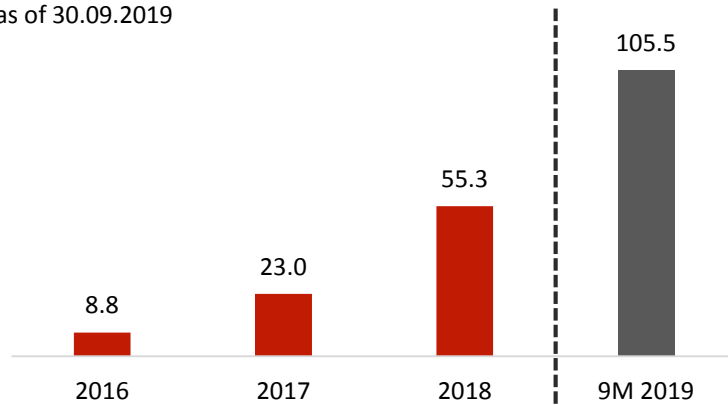
Net loan portfolio quality analysis, 9M 2019



- Conservative internal NPL definition
- Loans that are more than 50 days overdue are recognized as non-performing loans (NPLs); in 2016 and 2017 NPLs have been defined as 70+ DPD, in 2015 and earlier as 90+ DPD
- luteCredit has always followed the ECL method prescribed by IFRS 9
- luteCredit creates and accounts provisions “online” at the moment of the issue of the loans
- As of 9M 2019, NPLs represented 18.1% of total loans issued in 9M 2019

Assets & Liabilities

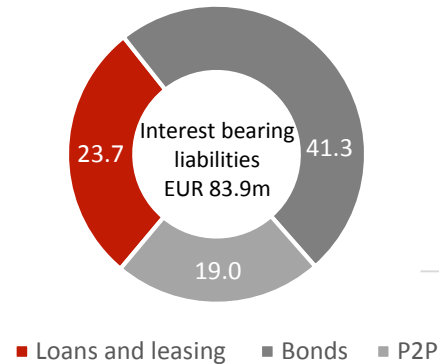
Assets in EURm
as of 30.09.2019



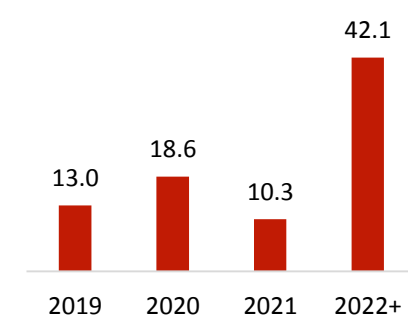
	2016	2017	2018	9M 2019
Capitalization ratio	27.0%	23.0%	26.4%	22.0%
Return on average assets	14.1%	18.7%	18.6%	7.1%

- 82% of assets consists of net loan portfolio and cash
- High cash position of EUR 11.3m
- Simple and clear structured balance sheet
- Stable and healthy capitalization

Liabilities in EURm
as of 30.09.2019



Liability maturities in EURm
as of 30.09.2019



- Total liabilities increased by EUR 46.3m to EUR 88.9m (FY 2018: EUR 42.6m)
- As of 9M 2019, loans and borrowings amounted to EUR 83.9m (FY 2018: EUR 39.2m), accounting for 94.5% of all liabilities (FY 2018: 92.0%)
- Due to the high cash position of EUR 11.3m, net interest-bearing debt amounts to EUR 72.6m as of 9M 2019
- Weighted average interest rate reduced to 11.6% (FY 2018: 13.7%)

Summary & Outlook

Becoming the fastest and most comfortable instalments loan provider

Summary

- Double growth of assets with good asset quality
- Profit margin impacted by operating expenses, lower APR's and Eurobond costs
- Launch of business activities in Bosnia and Herzegovina as of June 2019, and Bulgaria as of October 2019
- Successful diversification of funding sources lead to lower cost of funds
- luteCredit is proactively engaged with regulatory changes and is a trustworthy partner for standard setters in all operating countries

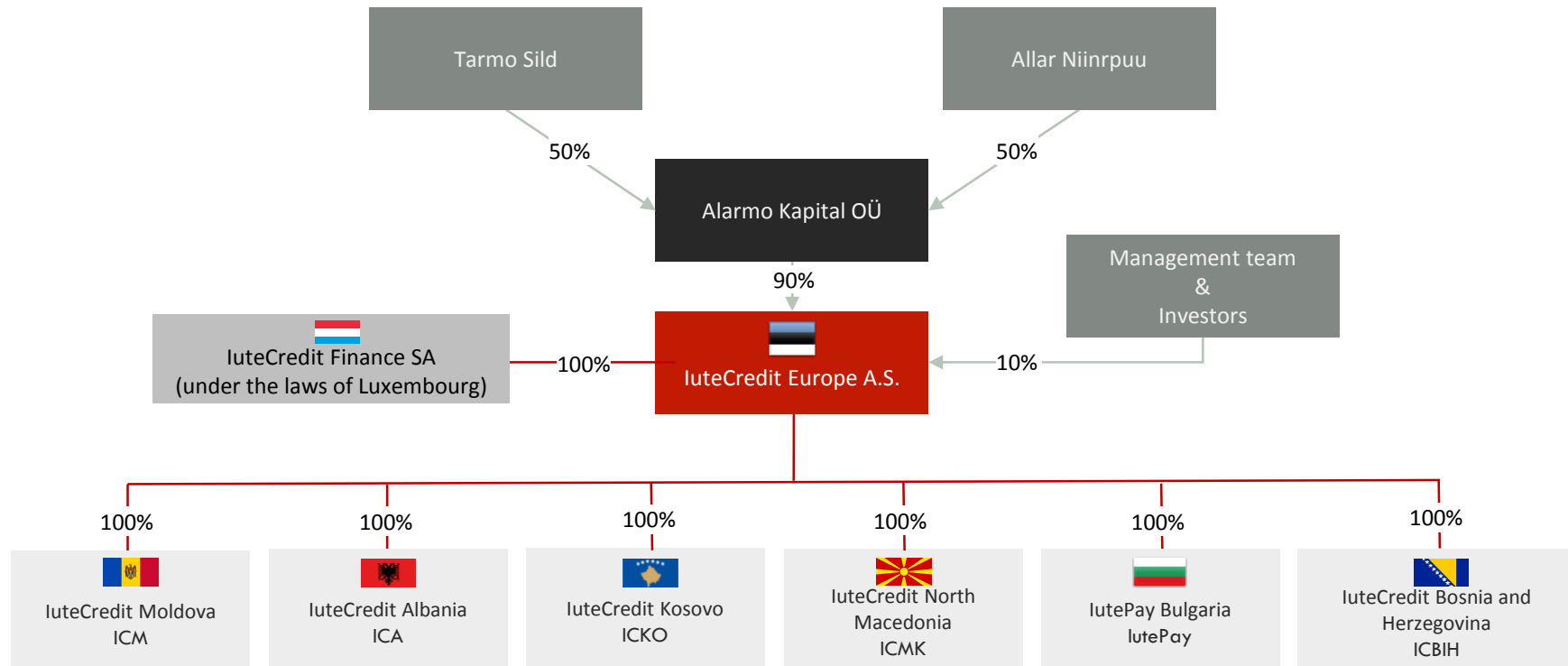
Outlook

For the full year 2019:

- luteCredit expects to exceed EUR 150m in loans issued to over 200.000 customers (corresponding to a net loan portfolio of approx. EUR 100m)
 - Total revenue is expected to be slightly below our initial expectations at around EUR 49.5m with net profit margin of 18%
-

Appendix

Legal Structure



Income Statement

in EURm	2016	2017	2018	9M 2018	9M 2019 ¹⁾
Interest and commission fee income	3.8 (69.7%)	8.8 (70.9%)	22.6 (68.2%)	14.3 (66.1%)	32.1 (95.6%)
Loan administration fees and penalties	-	3.6 (29.1%)	10.5 (31.8%)	7.3 (33.8%)	1.5 (4.4%)
Other income	1.6 (30.3%)	-	0.0 (0.0%)	0.0 (0.1%)	0.0 (0.0%)
Total Revenue	5.4 (100.0%)	12.3 (100.0%)	33.2 (100.0%)	21.7 (100.0%)	33.6 (100.0%)
Interest expense	(0.7) (13.4%)	(1.5) (12.5%)	(3.9) (11.6%)	(2.6) (12.0%)	(6.5) (19.4%)
Allowances for loan impairment	(1.5) (27.8%)	(3.2) (26.2%)	(10.4) (31.3%)	(5.3) (24.7%)	(6.9) (20.6%)
Total operating income	3.2 (58.9%)	7.6 (61.2%)	18.9 (57.1%)	13.7 (63.3%)	20.1 (60.0%)
Salaries and other personnel expenses	(0.6) (11.5%)	(1.5) (11.9%)	(3.9) (11.7%)	(2.4) (11.0%)	(4.6) (13.6%)
Other operating expenses	(1.0) (18.5%)	(2.2) (17.7%)	(6.0) (18.0%)	(3.4) (15.8%)	(7.8) (23.3%)
Depreciation/amortization charge	(0.0) (0.7%)	(0.1) (0.6%)	(0.2) (0.7%)	(0.1) (0.6%)	(0.6) (1.9%)
Foreign exchange gains/losses	0.1 (1.1%)	0.2 (1.3%)	0.7 (2.0%)	0.4 (1.9%)	0.3 (0.8%)
Profit or loss before taxes	1.6 (29.3%)	4.0 (32.4%)	9.5 (28.7%)	8.2 (37.8%)	7.4 (22.0%)
Income tax	(0.5) (9.9%)	(1.1) (8.7%)	(2.2) (6.8%)	(1.5) (7.1%)	(1.7) (5.0%)
Net profit for the year	1.0 (19.4%)	2.9 (23.7%)	7.3 (21.9%)	6.7 (30.7%)	5.7 (17.0%)
Other comprehensive income	0.0 (0.9%)	0.1 (1.0%)	0.5 (1.5%)	0.3 (1.2%)	(0.2) (0.5%)
Total comprehensive income for the year	1.1 (20.3%)	3.0 (24.7%)	7.8 (23.4%)	6.9 (31.9%)	5.5 (16.5%)

1) Slower revenue growth in 9M 2019 is due to the change of revenue recognition method and the reappraisal of revenue accordingly. As of January 1, 2019, the Group accounts penalties only on received cash basis. There is no accrued revenue from penalties, and no allowances for previous accrued penalties.

Balance Sheet

in EURm	2015	2016	2017	2018	9M 2019
<i>Assets</i>					
Cash and bank accounts	0.1	0.3	1.8	2.6	11.3
Loans to customers	5.1	7.8	20.4	48.1	75.4
Prepayments	0.0	0.0	0.0	0.3	1.4
Other assets	0.1	0.3	0.2	1.7	7.5
Other financial investments	0.0	0.0	0.0	1.5	5.3
Financial lease objects	-	-	-	-	2.9
Property, plant and equipment	0.1	0.1	0.2	0.5	0.9
Intangible assets	0.0	0.2	0.4	0.7	0.7
Total assets	5.4	8.8	23.0	55.3	105.5
<i>Liabilities and equity</i>					
Liabilities					
Loans and borrowings	4.0	6.3	17.2	39.2	83.9
All other liabilities	0.1	0.4	1.1	3.4	4.9
Total liabilities	4.2	6.7	18.3	42.6	88.9
Equity					
Share capital	0.3	0.3	0.3	10.0	10.0
Legal reserve	0.0	0.0	0.0	0.0	0.4
Unrealized foreign exchange differences	-0.3	-0.2	-0.1	0.4	0.2
Share premium reserve	0.0	0.0	0.0	0.0	0.0
Retained earnings	0.5	1.0	4.5	2.3	6.0
Profit of reporting period	0.7	1.0	-	-	-
Total equity	1.2	2.1	4.7	12.7	16.6
Total equity and liabilities	5.4	8.8	23.0	55.3	105.5

Statement of Cash Flow (1/2)

	in EURm	2015	2016	2017	2018
Operating activities					
Profit/loss		0.7	1.0	2.9	7.3
Adjustments for:					
Amortisation and depreciation		0.0	0.0	0.1	0.2
Allowance for loan impairment		0.9	1.5	3.2	10.4
Goodwill impairment					0.3
Net FX difference		0.3	(0.1)	(0.2)	(0.7)
Interest and commission fee income		(2.6)	(5.4)	(8.8)	(22.6)
Loan and administration fees and penalties				(3.6)	(10.5)
Interest expense		0.5	0.7	1.5	3.9
Income tax expense		0.2	0.5	1.1	2.2
CF operating profit before changes in bs		0.1	(1.6)	(3.7)	(9.6)
Change in receivables from customers		(2.1)	(4.0)	(13.2)	(30.4)
Change in loan and bonds liabilities		0.8	2.1	10.2	17.3
Change in other assets		0.0	0.0	0.1	(0.5)
Change in other liabilities		(0.2)	(0.1)	0.5	3.7
Interest, commission fees received		2.1	5.1	11.0	27.5
Income tax paid				(0.9)	(1.4)
Interest paid		(0.5)	(0.8)	(1.7)	(3.7)
Net cash flows from operating activities		0.1	0.6	2.3	2.9
Investing activities					
Purchase of fixed assets		(0.1)	(0.2)	(0.4)	(0.8)
Net cash flow from acquisitions and other financial investments					(2.5)
Net cash flows from investing activities		(0.1)	(0.2)	(0.4)	(3.3)
Financing activities					
Capital increase					3.2
Dividends paid		(0.2)	(0.2)	(0.5)	(2.0)
Net cash flows from financing activities		(0.2)	(0.2)	(0.5)	1.2
Cash at the beginning of the year		0.2	0.1	0.3	1.8
Change in cash		(0.1)	0.3	1.4	0.9
Net FX differences		(0.0)	0.0	0.1	(0.0)
Cash at the end of the year		0.1	0.3	1.8	2.6

Statement of Cash Flow (2/2)

	in EURm	9M 2018	9M 2019
Operating activities			
Paid prepayments		(4.8)	(3.1)
Received pre- and overpayments		0.0	2.4
Paid prepayments to partners		(0.3)	(5.6)
Received prepayments from partners		3.9	6.2
Paid trade payables		(4.0)	(8.8)
Received debts from buyers and received other claims		0.0	0.4
Received from collection companies		5.0	9.2
Paid net salaries		(1.4)	(3.3)
Paid tax liabilities, exc. CIT		(1.0)	(2.1)
Corporate income tax paid (CIT)		(1.2)	(2.7)
Paid out to customers		(25.3)	(55.5)
Principal repayments from customers		14.8	30.8
		6.3	13.3
Net cash flows from operating activities		(8.0)	(18.7)
Investing activities			
Purchase of fixed assets		(0.4)	(0.6)
Net cash flow from acquisition of subsidiaries		(1.1)	(0.0)
Received from the sale of subsidiaries		0.0	0.2
Receipts from other financial investments		0.0	0.0
Net cash flows from investing activities		(1.4)	(0.4)

	in EURm	9M 2018	9M 2019
Financing activities			
Loans received from investors		19.5	66.8
Repaid loans to investors		(8.5)	(37.1)
Change in overdraft		1.0	4.6
Change in MasterCard settlement account		0.0	(0.4)
		0.0	(0.1)
Paid out loans to customers related to MasterCard		0.0	0.0
Loan principal repayments from customers related to MasterCard		0.0	(0.5)
Principal payments of financial lease contracts		(2.1)	(4.0)
Interests paid		3.2	0.0
Capital increase		(1.5)	(1.6)
Dividens paid		11.6	27.8
Net cash flows from financing activities		11.6	27.8
		2.1	8.7
Change in cash and cash equivalents		2.1	8.7
Cash and cash equivalents at the beginning of the period		1.8	2.6
Change in cash and cash equivalents		2.1	8.7
Net foreign exchange difference		(0.0)	(0.0)
Cash and cash equivalents at the end of the period		3.9	11.3

Thank you for your attention!

IuteCredit Group

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